

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 2142 (First Edition)
SHORT TITLE: Increase Fire and Rescue Pension
SPONSOR(S): Senator Dannelly

FUNDS AFFECTED: General Fund

SYSTEM OR PROGRAM AFFECTED: Firemen and Rescue Squad Workers' Pension Fund

EFFECTIVE DATE: July 1, 2008

BILL SUMMARY: Increases the monthly benefit for retirees and future retirees of the Firemen's and Rescue Squad Workers' Pension Fund from \$167 to \$172 for all retirees and future retiree. The bill also appropriates \$620,491 from the General Fund to the Firemen's and Rescue Squad Workers' Pension Fund. The General Assembly appropriated funds to the Firemen's and Rescue Squad Workers' Pension Fund for the 2000-01 fiscal year but for some reason the funds were never transferred to the Pension Fund. This will repay the Fund in full.

ESTIMATED IMPACT ON STATE: Both the Fund's actuary, Buck Consultants and the General Assembly's actuary, Hartman & Associates, LLC, estimates the cost to be as follows:

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>20012-13</u>
Benefit Increase	\$1,713,085	\$1,713,085	\$1,713,085	\$1,713,085	\$1,713,085
Payback of Funds	<u>\$ 620,491</u>				
Total	\$2,333,576				

ASSUMPTIONS AND METHODOLOGY: Firemen and Rescue Squad Workers' Pension Fund. The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the June 30, 2007 actuarial valuation of the fund. The data included 34,948 active members and 10,170 retired members in receipt of annual pensions totaling \$20.4 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) the 1994 Group Annuity Mortality Tables for deaths before and after retirement and (c) rates of separation from active service based on Fund experience. The actuarial cost method used was the projected benefit method with entry age normal cost and open-end accrued liability and a frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

SOURCES OF DATA: System Actuary – Buck Consultants
General Assembly Actuary - Hartman & Associates, LLC

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910. The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

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APPROVED BY: Lynn Muchmore, Director
Fiscal Research Division

DATE: June 2, 2008



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